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22 December 1955

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Economic Research on Peripheral Non-Bloc Countries

REFERENCE: Staff Study to the DD/I from the Executive Secretary, EIC/S, dated 10 October 1955

1. The enclosed staff study presents a case for CIA and EIC action which has been vigorously expounded [redacted] for several months. There is no question but that he is disturbed by what he considers to be a lack in the utilization of resources for providing fully objective economic intelligence for the benefit of this Government's policy planning. There are many truths in what he sets forth, and there are also some judgments with which I cannot wholly concur. 25X1A

2. His basic thesis for action hangs on the assumption that intelligence on economic situations in non-Bloc countries is grossly inadequate for policy and action planning, and that the EIC can and should perform a much stronger role in providing such intelligence than is presently the case.

3. To date, I am not aware of formal complaints having been directed to the intelligence community, or to the EIC, that would indicate a gross deficiency in the intelligence support provided on economic conditions in non-Bloc countries for the formulation of policy and action. Neither do NIE post-mortems over the past two years indicate gross deficiencies in economic support for national intelligence on non-Bloc countries. Admittedly, our knowledge of these economies is incomplete, but the total resources of both the Government and private organizations available for undertaking such economic studies appear to have met primary needs.

25X1A 4. [redacted] clearly establishes the authority under which the CIA and the EIC could take initiative on the problem he poses. I have refrained from allowing the EIC Secretariat to promote vigorously the acceptance by the EIC of leadership in a campaign

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to develop a significant expansion of coordinated intelligence research and support in this field. On the other hand, I have strongly encouraged appropriate officers in State to make maximum utilization of the EIC structure to obtain coordination of economic research on non-Bloc areas, which they have not deemed necessary. One important reason for the lack of further positive action by me has been the recognition that State support is needed, since it has primary responsibility in this field within the IAC community. State should properly take the initiative to utilize the EIC structure to meet identified deficiencies on a coordinated basis, as long as requests for coordinated intelligence support have not been received by EIC from action agencies, the OCB, the NSC, or other high-level planning groups.

5. Much useful support is being given without formal coordination. For instance, ORR and OIR are developing an informal cooperative relationship which we hope will result in effective intelligence coverage for the consideration of problems relating to Bloc economic penetration of non-Bloc countries. The EDAC structure has been effective in providing essential support to the CFEP for problems relating to economic defense. Individual agencies and departments with policy and action responsibilities have, of course, obtained essential information from their own resources and from other departments on a bilateral basis in areas of their respective responsibilities.

6. Recommendation A (page 13) of the enclosed study suggests that the DCI be informed of present inadequacies in the steps taken under NSCID-15 to assure that full economic knowledge and technical talent available is brought to bear on important issues involving national security. I could only agree with this if the deficiencies were clearly defined and recognized, and constructive, workable solutions were presented to the DCI for action.

7. Recommendation B (page 14) suggests that CIA and the DD/I use all possible means to stimulate the increased study of economic conditions of non-Bloc areas with maximum use of interagency coordination. The implication here is that planning, policy, and action agencies and groups do not know what they need or are unaware of how the necessary intelligence support can be obtained. I realize that action agencies and groups face continuing problems in obtaining coordinated programs in response to changing situations. However, I feel that you are already aware of current real needs for intelligence support and presently exercise such influence as you deem advisable. Accepting the limited capabilities of the community, I could not recommend the initiation of a promotional campaign of the magnitude envisaged [redacted]

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8. Recommendation C suggests increased IAC support to OCB and high policy planning groups. Regarding his first point, I suspect that any substantive support provided to OCB by the DD/I would be of broad scope and coordination would be undertaken by your own staff, and that the EIC Secretariat need not be involved since the economic contributions would not be interagency in character. In his second point, [redacted] brings up the question of the extent to which the EIC can and should provide coordination of intelligence support to specialized high-level policy planning groups. EIC stands ready to act on appropriate requests received by it from such groups, so long as the studies are restricted to intelligence of national security interest and so long as the requests can best be fulfilled by coordinated interagency research effort.

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9. The last recommendation, D, regarding the Indonesia study suggests action to be taken regarding a problem that has plagued [redacted] as a matter of principle. In personal conversation, the responsible officers in OIR have acknowledged that they were at fault in not distributing the draft report to Agriculture and the ICA for review and comment prior to publication. They also have clearly indicated their intention to take serious account of the written comments and criticisms in any future revision. The EIC Working Group has not been officially terminated, even though the chairman of the Group so recommended. The EIC will consider the revitalization of the Working Group prior to the initiation of work on a revision of this report. An appropriate time to raise this question is being awaited in order to avoid unnecessary pressure on State in view of their free admission of fault in the past.

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10. Although the statements of OIR officers are frequently disturbing from our point of view, I feel that [redacted] has been unduly critical of this organization, in view of their limited capabilities and the fact that several of his conclusions are based on his own interpretation of remarks made by OIR officers during personal discussions. I also feel that his implications regarding shortcomings of the NIS Program are based on a personal impatience or lack of knowledge of the basic concept and procedures inherent to the Program.

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11. I have hesitated to lay this whole question on your desk, but have come to the conclusion that not only [redacted] but also [redacted] and I can profit from your views and guidance on this matter.

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[redacted]

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OTTO E. GUTHE
Assistant Director
Research and Reports

Enclosure:
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